

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6234

BILL NUMBER: SB 455

NOTE PREPARED: Nov 17, 2010

BILL AMENDED:

SUBJECT: Income Tax Refund Designation for Public K-12 Schools.

FIRST AUTHOR: Sen. Breaux

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill permits an individual (or husband and wife in the case of a joint return) to designate a donation of part or all of the taxpayer's state income tax refund to the Indiana Public School K-12 Fund of the school corporation in which the taxpayer resides by using the state income tax return. It permits a taxpayer to also include a donation to the K-12 fund with the return. It requires the Department of State Revenue to include a form for making direct donations to a school corporation's Indiana Public School K-12 Fund. It provides the authority for a public school corporation to establish an Indiana Public School K-12 Fund. The bill also prohibits transfers from or to the fund.

Effective Date: January 1, 2011 (retroactive); July 1, 2011.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the tax refund designation for Indiana Public School K-12 Funds. The bill requires the DOR to prescribe a form for making direct donations to a school corporation's Indiana Public School K-12 Fund. On a semiannual basis, the DOR is required to provide a report to the General Assembly and the Auditor of State that indicates the entire amount designated for each school corporation.

Auditor of State: The Auditor of State will distribute the amounts identified by the DOR as designations to the appropriate school corporations. The report from the DOR will be available in May and November so that the Auditor of State may make the appropriate distributions to each school corporation in June and December each year.

Explanation of State Revenues: *Summary* - The bill establishes an election for income tax refunds to be

designated to Indiana Public School K-12 Funds established in school corporations. This election applies beginning in tax year 2011, and any fiscal impact likely would not arise before FY 2012. The number of taxpayers with refunds that may elect to donate to Indiana Public School K-12 Funds and the amounts such taxpayers may contribute is indeterminable. However, it could potentially reduce the amount that would otherwise be designated by taxpayers to the Indiana Nongame and Endangered Wildlife Fund. This is the only income tax refund checkoff that exists under current statute. In tax year 2008, the Nongame and Endangered Wildlife Fund collected \$501,031 from 26,716 tax returns. This is an average of \$18.75 per filer.

Background Information - Since tax year 2002, the checkoff for the Nongame and Endangered Wildlife Fund has generated the annual activity summarized in the table below.

Tax Year	Filers Designating Refunds	Total Refunds Designated	Average Refund Amount Designated
2004	29,487	\$463,257	\$15.71
2005	28,377	\$414,475	\$14.61
2006	29,963	\$372,398	\$12.43
2007	26,760	\$377,096	\$14.09
2008	26,716	\$501,031	\$18.75

Explanation of Local Expenditures:

Explanation of Local Revenues: School corporations will benefit from refund amounts designated for deposit in their Indiana Public School K-12 Funds. However, the number of taxpayers with refunds that may designate a donation to the Indiana Public School K-12 Funds and the amounts such taxpayers may contribute is indeterminable.

State Agencies Affected: Department of State Revenue; Auditor of State.

Local Agencies Affected: School corporations.

Information Sources: OFMA Income Tax Databases.

Fiscal Analyst: Jessica Harmon, 317-232-9854.